

## **Press release**

### **LCQ11: Government procurement**

Wednesday, July 7, 2010

Following is a question by the Hon Wong Kwok-hing and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (July 7):

Question:

It has been recently reported that certain heads of government departments (HoDs) were alleged to have misused public funds to procure unnecessary appliances, office equipment and furniture for their own use, and carry out unnecessary renovation works for their offices. Such incidents have aroused public concern about whether or not government officials have abused their office and misused public funds. In this connection, will the Government inform this Council:

(a) of the respective numbers of HoDs who had, in the past three years, used public funds to carry out renovation works for their own offices, and procure additional furniture, electrical appliances and expensive office equipment for their own use; of the government departments and ranks to which they belonged, together with a breakdown by the amount of expenditure involved (i.e. below \$5,000, \$5,000 to \$10,000 and above \$10,000);

(b) whether there are application procedure, regulatory standards and approval mechanism in respect of the use of public funds by HoDs to cover the aforesaid expenses at present; if so, of the details; if not, the reasons for that; and

(c) given that the public is concerned about the situation of senior government officials using public funds to procure stores or services for their own use, whether the Audit Commission will conduct an independent audit review on the aforesaid situations of HoDs using public funds, so as to eliminate the worries of the public expeditiously?

Reply:

President,

The Architectural Services Department (ArchSD) is responsible for the routine maintenance, minor improvement works and regular refurbishment of government offices (including offices of staff at various ranks). The expenditures in question are related to routine maintenance and minor improvement works, and are mainly charged to two expenditure subheads. The expenditure in respect of routine maintenance is funded by the provision under ArchSD's Head 25 Operating Account Subhead 000 Operational expenses — Maintenance of government buildings, while the expenditure in respect of minor improvement works is funded by the provision under Subhead 3101GX of Head 703 – Buildings of the Capital Works Reserve Fund.

Irrespective of the ranks of office users, ArchSD will deal with works requests for government offices according to certain established criteria. These criteria include the degree of wear and tear and the maintenance cycle of office facilities. For example, carpets would only be replaced after having been used for not less than six years, and internal wall redecoration would only be carried out not less than four years after the last redecoration. If the proposed works requests are considered to be in order, ArchSD will process the funding applications in accordance with the established procedures. For projects funded by ArchSD under Head 25 Subhead 000, approval will be given by designated officers of ArchSD, depending on the amounts involved. For funding applications under Subhead 3101GX, approval will be given by designated officers of Treasury Branch or ArchSD, depending on the amounts involved.

As for procurement of furniture, electrical appliances or office equipment for government offices, the relevant expenditure will generally be funded by the provision under Operating Account Subhead 000 Operational expenses of individual departments. According to the Public Finance Ordinance (Cap 2), the head of department as the controlling officer shall be responsible and accountable for all public moneys for which he is the controlling officer.

Regarding the expenditure figures requested by the Member, the computer records of ArchSD do not contain information on project costs categorised by ranks of office users. At the central level, we have also not collected information on the expenditures arising from procurement of furniture, electrical appliances and office equipment by departments for their respective Head of Department (HoD) under Subhead 000 Operational expenses. Nevertheless, as we understand, of the ten HoDs mentioned in the press reports in question, since the office facilities of four of them had already reached the end of the maintenance cycle, the departments concerned took the opportunity of the change of office of HoDs to carry out minor works in their offices. The total project costs involved were about \$120,000. Furthermore, seven out of the ten departments concerned have procured furniture, electrical appliances and office equipment for the offices of their HoDs at a total cost of about \$180,000.

According to section 9(3) of the Audit Ordinance (Cap 122), the Director of Audit shall not be subject to the direction or control of any other person or authority in the performance of his duties and the exercise of his powers under the Ordinance. The Audit Commission therefore decides at its own discretion whether to conduct a value-for-money audit study on a particular expenditure item or proposal. According to the Audit Commission, it will review the need for carrying out audit studies from time to time. In assessing such a need, the Commission will have due regard to a number of factors such as materiality, risk, auditability, timeliness and value added.

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